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DEPARTMENT OF THE ARMY
 U.S. ARMY LEGAL SERVICES AGENCY
 901 NORTH STUART STREET
 ARLINGTON VA 22203-1837

Arizona Corporation Commission

February 28, 2003

DOCKETED



REPLY TO
 ATTENTION OF

MAR 03 2003

Regulatory Law Office
 U 4078

DOCKETED BY

Subject: In The Matter Of Qwest Communications International Inc.'s, Qwest Services Corporation's, And Qwest Corporation's Notice Of Sale, Request For Waiver, or Application For Approval Of Sale Of The Arizona Operations Of Dex, Inc.
 Arizona Corporation Commission, Docket No. T-01051B-02-0666

Arizona Corporation Commission
 Docket Control
 Attn: Ms. Viki Lasher
 1200 West Washington Street
 Phoenix, Arizona 85007

AZ CORP COMMISSION
 DOCUMENT CONTROL

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Dear Ms. Lasher:

Enclosed for filing with the Arizona Corporation Commission are the original and thirteen copies of the expurgated version of the Rebuttal Testimony of Mr. Richard B. Lee on behalf of the Department of Defense and All Other Federal Executive Agencies in the subject proceeding.

Copies of the expurgated Rebuttal Testimony have sent in accordance with the attached Certificate of Service. Copies of the Confidential version of Mr. Lee's Attachment 4 to his Rebuttal Testimony have been sent only to Parties who have executed the appropriate Protective Agreement. Inquiries concerning this matter may be directed to the undersigned at (703) 696-1644.

Sincerely,

Peter Q. Nyce Jr.
 General Attorney
 Regulatory Law Office

Enclosure



BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER

Chairman

WILLIAM A. MUNDELL

Commissioner

JIM IRWIN

Commissioner

MIKE GLEASON

Commissioner

JEFF HATCH-MILLER

Commissioner

IN THE MATTER OF QWEST COMMUNICATIONS) Docket No. T-01051B-02-0666
INTERNATIONAL, INC.'S, QWEST SERVICES)
CORPORATION'S, AND QWEST CORPORATION'S)
NOTICE OF SALE, REQUEST FOR WAIVER, OR)
APPLICATION FOR APPROVAL OF THE SALE OF)
THE ARIZONA OPERATIONS OF QWEST DEX, INC.)

REBUTTAL TESTIMONY
of
RICHARD B. LEE

on behalf of

THE UNITED STATES DEPARTMENT OF DEFENSE
And
ALL OTHER FEDERAL EXECUTIVE AGENCIES

ROBERT N. KITTEL, CHIEF
Regulatory Law Office
Office of the Judge Advocate General
U.S. Army Litigation Center
901 N. Stuart Street, Suite 713
Arlington, Virginia 22203-1837

by

Peter Q. Nyce, Jr.
General Attorney

March 4, 2003

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Richard B. Lee. I am Vice President of the economic consulting firm of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"). My business address is 1220 L Street, N.W., Suite 410, Washington, D.C. 20005.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I earned a Bachelor of Science degree in Industrial Administration with High Honors from Yale University in 1961. I earned a Master of Business Administration degree with Distinction from the Harvard Business School in 1963.

Q. PLEASE DESCRIBE SNAVELY KING.

A. Snavely King, formerly Snavely, King & Associates, Inc., was founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs and economic performance of regulated firms and industries. The firm has a professional staff of 13 economists, accountants, engineers and cost analysts. Most of its work involves the development, preparation and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of its 33-year history, members of the firm have participated in over 600 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. PLEASE DESCRIBE THE TYPE OF WORK YOU HAVE PERFORMED WHILE AT SNAVELY KING.

A. Since joining Snavely King in 1991, I have assisted clients in proceedings before the

1 Federal Communications Commission ("FCC") related to a variety of matters.
2 Attachment 1 is a list of the FCC filings I have prepared on behalf of the General
3 Services Administration ("GSA"). The GSA represents the customer interests of the
4 Federal Executive Agencies in matters before the FCC.

5 I have also assisted clients in proceedings before twenty-eight state commissions
6 related to the telephone, cellular telephone and electric industries.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY REGULATORY**
8 **PROCEEDINGS?**

9 A. Yes, I have. Attachment 2 is a list of my appearances before regulatory agencies on
10 behalf of various clients.

11 **Q. WHAT WAS YOUR EMPLOYMENT PRIOR TO JOINING SNAVELY KING?**

12 A. From 1980 to 1990, I was employed by American Telephone and Telegraph Company
13 ("AT&T") in its Federal Regulatory Affairs Division. As Regulatory Vice President -
14 Financial and Accounting Matters, I represented AT&T before the FCC in all financial
15 and accounting matters. In that capacity, I directed the preparation and presentation of all
16 AT&T Communications depreciation represcription filings before the FCC. I also
17 conceived and developed a methodology which reduced the administrative burden of
18 AT&T's depreciation filings by over 90 percent. Prior to divestiture, I directed the
19 preparation and presentation of all Bell Operating Company ("BOC") depreciation filings
20 before the FCC.

21 **Q. WHAT WAS YOUR EMPLOYMENT HISTORY PRIOR TO 1980?**

22 A. From 1963 to 1980, I was employed by the New York Telephone Company. I held a

1 variety of progressively responsible positions leading to a position representing the
2 Company in accounting matters before the New York Public Service Commission. In
3 this capacity, I participated in a number of general rate cases and related proceedings.

4 My complete resume is attached as Attachment 3.

5 **Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

6 A. I am appearing on behalf of the customer interests of the United States Department of
7 Defense and all other Federal Executive Agencies ("DOD/FEA").

8 **Q. WHAT IS DOD/FEA'S INTEREST IN THIS PROCEEDING?**

9 A. DOD/FEA purchases large quantities of telecommunications service from Qwest
10 Corporation ("Qwest") in Arizona. Indeed, the 60,000 civilian and military employees of
11 DOD/FEA in Arizona probably make DOD/FEA the largest user of telecommunications
12 services in the state. As a Qwest customer in Arizona, DOD/FEA will be directly and
13 substantially affected by the sale of Qwest Dex, Inc. ("Dex") by Qwest's parent
14 company, Qwest Communications International, Inc. ("QCI").

15 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT**
16 **SUPERVISION?**

17 A. Yes, it was.

18 **Q. PLEASE SUMMARIZE YOUR TESTIMONY?**

19 A. In this Rebuttal Testimony, I respond to the testimony of Qwest witnesses with respect to
20 the approval of QCI's sale of Dex and its regulatory implications. I recommend that the
21 Commission approve QCI's sale of Dex subject to certain conditions which will ensure
22 that the gain from the Dex sale appropriately accrues to the benefit of local ratepayers. I

1 also recommend a procedure to accomplish this end result.

2
3 **II. THE SALE OF DEX IS IN THE PUBLIC INTEREST**

4
5 **Q. DO YOU AGREE WITH QWEST'S POSITION THAT THE SALE OF DEX IS IN**
6 **THE PUBLIC INTEREST?**

7 A. Yes. Qwest witness Maureen Arnold states the "the sale of Dex serves the public
8 interest, as it allows QCI to avoid bankruptcy."¹ The testimonies of Qwest witnesses
9 Peter C. Cummings and Brian G. Johnson support Ms. Arnold's conclusion.

10 **Q. DO YOU RECOMMEND, THEREFORE, THAT THE COMMISSION APPROVE**
11 **THE SALE OF DEX?**

12 A. Yes, I do, subject to certain conditions which will ensure that the gain from the Dex sale
13 appropriately accrues to the benefit of local ratepayers. QCI's financial difficulties have
14 not been the result of Qwest's regulated operations, but rather its non-regulated
15 endeavors. For this reason, I believe that ratepayers should not be harmed by the sale of
16 Dex. To the contrary, ratepayers should be assured of some sort of guaranteed
17 compensation for having given up this valuable asset in order to rescue their telephone
18 utility's parent company.

19

¹ Testimony of Maureen Arnold ("Arnold Testimony") at 15.

1 **III. THE GAIN FROM THE SALE OF DEX SHOULD**
2 **BENEFIT LOCAL SERVICE RATEPAYERS**
3

4 **Q. WHY DO YOU BELIEVE THE GAIN FROM THE SALE OF DEX SHOULD**
5 **BENEFIT LOCAL RATEPAYERS?**

6 A. Upon AT&T's divestiture in 1984, the directory publishing business was assigned to
7 Qwest's predecessor, U S West, and other Bell operating companies in order to generate
8 "a substantial subsidy for local telephone rates."² In Arizona, this subsidy has been
9 effected by means of an imputation of directory revenues in various Qwest rate cases.³

10 Now that the directory function is being divested to an unaffiliated enterprise,
11 ratepayers are entitled to compensation for the full value of the divested asset. The sale
12 price of Dex provides a quantification of that value. Ratepayers are, therefore, entitled to
13 a benefit equal to the full price of the Dex sale, less any contributed assets that pass out of
14 the Company, and less costs that are incurred by the transaction.

15 **Q. SHOULDN'T QCI SHAREOWNERS SHARE IN THE GAIN FROM THE DEX**
16 **SALE?**

17 A. QCI's shareholders receive a very substantial immediate benefit from the gain, since the
18 sale of Dex generates the cash by which QCI hopes to avoid bankruptcy. This benefit,
19 however, is ultimately owed to ratepayers. The only reason that QCI has Dex to sell, is
20 because it was assigned to U S West to generate a subsidy for local rates. If any portion
21 of the gain from the Dex sale flows through to shareowners, it will serve to reward them

² United States vs. American Tel. And Tel Co. et al., 552 F. Supp. 131 at 224.

1 for allowing QCI management to drive the company into this near bankruptcy condition.
2 In effect, any portion of the gain from the sale of Dex that does not benefit local
3 ratepayers will represent a subsidy of QCI's non-regulated operations by its regulated
4 operations.

5 **Q. DO YOU AGREE WITH MS. ARNOLD THAT THE 1988 SETTLEMENT**
6 **AGREEMENT HAS APPLICABILITY TO THIS PROCEEDING?**⁴

7 A. No, I do not. The 1988 Settlement Agreement only resolved "issues relating to the
8 transfer of Yellow Pages assets from Mountain Bell to USWD."⁵ This transfer simply
9 involved an organization change within U S West, QCI's predecessor as parent of Qwest.
10 This proceeding addresses the proposed sale of Dex to an unrelated third party, an
11 entirely different matter.

12 The basis of the 1988 settlement agreement was an analysis of affiliate
13 transactions related to directory operations. The focus of this proceeding must be on the
14 procedure for ensuring that the gain from this sale appropriately benefits local service
15 ratepayers. The gain from this sale has been estimated by Qwest, and an analysis of past
16 or future transactions is irrelevant to the appropriate attribution of this gain.
17

³ See Arnold Testimony at 7-10.

⁴ Arnold Testimony at 5.

⁵ 1988 Settlement Agreement, provided as Appendix C to Qwest Notice of Sale, Request for Waiver or Application for Approval Pursuant to R14-2-803, at 1.

1 IV. BILL CREDITS AND A REGULATORY LIABILITY
2 SHOULD BE ADOPTED

3
4 Q. WHAT PROCEDURE DO YOU RECOMMEND FOR ENSURING THAT THE
5 GAIN FROM THE DEX SALE ACCRUES TO THE BENEFIT OF LOCAL
6 RATEPAYERS?

7 A. The procedure I recommend is detailed in Attachment 4 to this Rebuttal Testimony. On
8 Line 1 of Attachment 4, I show the total pre-tax gain as estimated by Qwest.⁶ On Line 2,
9 I show the Arizona share percentage as proposed by Qwest.⁷ Line 3 shows Arizona's
10 share in dollars (Line 1 x Line 2).

11 I recommend that 10 percent of this benefit be in the form of an immediate bill
12 credit which I will describe below. This amount is shown on Line 4 (Line 3 x 10%). I
13 further recommend that the remainder of the gain as shown on Line 5 (Line 3- Line 4) be
14 established as an initial regulatory liability. Finally, I recommend that this liability be
15 amortized over 15 years as shown on Line 6 (Line 5/15).

16 Q. HOW WILL THE REGULATORY LIABILITY BENEFIT LOCAL
17 RATEPAYERS?

18 A. For the next 15 years, the annual amortization amount (Line 6 on Attachment 4) would
19 serve as a revenue imputation in any general rate case. I have selected 15 years because
20 that is probably the longest time horizon over which we can predict that rate base/rate-of-

⁶ See Attachment A to Qwest Response to Staff Data Request 68.

⁷ Id.

1 return regulation will remain in effect. We have no idea what the land-line telephone
2 market will look like more than 15 years from now. The unamortized regulatory liability
3 would serve as a rate base offset. The combination of these adjustments would thus
4 provide a subsidy for local rates, exactly as intended by the court overseeing AT&T's
5 divestiture in 1984. At the end of this period, the full benefit of the Dex sale will have
6 been (theoretically) provided to local ratepayers, and the subsidy would end.

7 **Q. WHY DO YOU PROPOSE AN IMMEDIATE BILL CREDIT FOR 10 PERCENT**
8 **OF THE TOTAL DEX SALE GAIN?**

9 A. It is quite possible that ratepayers may never see the above benefits because there may
10 never be a rate case in which they impact the revenue requirement. For this reason, ten
11 percent of the value of the Dex sale should be flowed through to end-user ratepayers in
12 the form of an immediate bill credit. I have picked ten percent because it is sufficiently
13 large to provide a tangible benefit to ratepayers, but not so large as to dilute seriously the
14 cash flow needed by the Company to pay down its debts. This credit would flow to all
15 Qwest local service ratepayers without specification as to type of customer as a
16 percentage deduction from their recurring local network service bill. The percentage
17 would be calculated by dividing the total bill credit to be provided (Line 4 on Attachment
18 4) by Qwest's total recurring local network service revenue times the number of months
19 to be credited. In order not to distort competitive relationships among carriers, this credit
20 should be applied to bills over a relatively short time, possibly three months.

1 **Q. WHY DO YOU EXCLUDE THE GAIN FROM LCI IN YOUR CALCULATIONS?**

2 A. LCI International's sole asset is a minority interest in Qwest N limited partnership, an
3 equipment leasing partnership that leases equipment to unregulated Qwest affiliates.⁸
4 The LCI business was included in the Dex sale so that QCI could report certain tax events
5 on its consolidated federal income tax return Form 1120 for the year 2002.⁹ Since LCI is
6 unrelated to the directory function, any gain from it need not benefit local service
7 ratepayers.

8 **Q. WHY DO YOU INCLUDE THE GAIN FROM NEW VENTURES IN YOUR**
9 **CALCULATION?**

10 A. New Ventures is the portion of Dex that engages in non-traditional activities such as the
11 production of internet directories. Since these activities are related to the directory
12 function, as indicated by their organization placement, any gain with respect to their sale
13 should accrue to the benefit of local service ratepayers.

14 **Q. WHY DO YOU INCLUDE THE GAIN FROM SECONDARY DIRECTORIES IN**
15 **YOUR CALCULATION?**

16 A. Secondary directories are published at Dex's discretion in order to compete more
17 effectively in the advertising market and maximize advertising sales by providing
18 directories that allow advertisers to focus their advertising message to a specific

⁸ Qwest Response to Staff Data Request 17.

⁹ Qwest Response to Staff Data Request 132S1.

1 geographic scope which best represents their customer base.¹⁰ The production of these
2 directories is a directory function, and thus any gain associated with them should accrue
3 to the benefit of local service ratepayers as discussed above.

4 **Q. WHY DO YOU INCLUDE THE GAIN FROM NON-QWEST LISTINGS IN**
5 **YOUR CALCULATION?**

6 A. Dex is in the business of selling directory advertising.¹¹ Its directories are scoped on the
7 basis off calling and shopping patterns, in order to maximize advertising sales, not on the
8 basis of service areas of particular local exchange carriers.¹² Since non-Qwest listings are
9 an integral part of the directory function, any gain associated with them should accrue to
10 the benefit of local service ratepayers as described above.

11 **Q. WHY DO YOU BASE YOUR CALCULATIONS ON THE PRE-TAX GAIN**
12 **ASSOCIATED WITH THE DEX SALE?**

13 A. The net operating losses attributable to QCI's nonregulated operations, when fully
14 determined, will exceed the one-time gain from its sale of Dex. QCI will not, therefore,
15 pay taxes on this gain, and to adjust the gain for "phantom" taxes would effectively
16 represent a subsidy of QCI's unregulated operations by local service ratepayers.

¹⁰ Qwest Response to Staff Data Request 128.

¹¹ Qwest Response to Staff Data Request 123S1.

¹² Id.

V. CONCLUSION

Q. DO YOU HAVE ANY CONCLUDING COMMENTS?

A. Yes I do. I am not a lawyer, but I have been in the telephone industry for over 40 years and directly involved in telephone regulation for over 25 years. It may be wishful thinking, but I hope that Qwest's April 1 Surrebuttal will forgo controversial and convoluted legal arguments and simply accept the following:

1. Dex is available for sale by QCI because it was assigned to its predecessor specifically to subsidize local telephone rates.
2. It is appropriate, therefore, that a procedure (such as the one I propose) be implemented to ensure that the entire gain from the Dex sale benefits local service ratepayers.

The recognition of these two propositions would clearly signal that Qwest is, indeed, under new management.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

RICHARD B. LEE

FCC FILINGS ON BEHALF OF GENERAL SERVICES ADMINISTRATION

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 87-568	AT&T Communications Revisions to Tariff FCC No. 12	Reply	3/25/91
CC Docket No. 91-141	Expanded Interconnection with Local Telephone Company Facilities	Comments Reply Reply Comments Reply Comments Reply	8/6/91 9/20/91 12/10/91 1/14/93 2/19/93 4/2/93 4/30/93
DA Docket No. 91-698	New York Telephone Co. Petition for Waiver of Part 61.49(g) of the Commission's Rules	Comments Reply	8/9/91 9/9/91
CC Docket No. 89-79	Amend. of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture	Comments	8/26/91 9/25/91 10/2/91
CC Docket No. 87-313	Policy and Rules Concerning Rates for Dominant Carriers	Comments Reply Reply	8/26/91 9/25/91 10/2/91

PROCEEDING

SUBJECT

TYPE

DATE

CC Docket No. 91-213	Transport Rate Structure and Pricing	Comments Reply Comments Reply	11/22/91 1/22/91 2/1/93 3/19/93
Petition	ONA Access Charge Tariff Filings	Petition to Suspend	11/26/91
DA No. 91-1452	Federal-State Joint Conference on ONA Staff Report on Uniform Tariffing Guidelines for ONA Services	Comments Reply	12/20/91 1/21/92
CC Docket No. 91-346	Intelligent Networks	Reply Comments Reply	4/6/92 11/1/93 12/1/93
CC Docket No. 92-133	Amend. of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Processes	Comments Reply	9/11/92 10/13/92
CC Docket No. 92-91	ONA Tariffs of Bell Operating Companies	Comments	10/16/92
CC Docket No. 92-222	Amendment of the Part 69 Allocation of General Support Facility Costs	Comments Reply	12/4/92 12/18/92
CC Docket No. 92-256	Application of ONA and Nondiscrimination Safeguards to GTE Corporation	Comments Reply	2/1/93 3/24/93

PROCEEDING

SUBJECT

TYPE

DATE

CC Docket No. 92-296	Simplification of the Depreciation Prescription Process	Reply Reply Reply	4/13/93 1/21/94 12/14/94
DA 93-481	Ameritech's Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region	Reply	7/12/93
DA 93-687	Rochester Telephone Corp. Petition for Waivers of Part 61 Tariff Rules and Part 69 Access Charge Rules to Implement its Open Market Plan	Comments Reply	7/19/93 8/9/93
CC Docket No. 91-273	Amendment of Part 63 of the Commission's Rules to Provide for Notifications by Common Carriers	Comments	1/21/94
DA Docket No. 93-1537	NYNEX Transition Plan to Preserve Universal Service in a Competitive Environment	Reply Reply	2/22/94 3/2/94
Petition	Petition for Declaratory Ruling Assigning an N11 Dialing Code for use by the Public in Gaining Access to the Services of the Federal Executive Agencies	Petition	3/11/94

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 94-1	Price Cap Performance Review for Local Exchange Carriers	Comments Reply Comments Comments Comments Reply Comments Reply	5/9/94 6/29/94 1/31/95 4/17/95 10/27/95 11/20/95 12/18/95 3/1/96
CC Docket No. 94-54	Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Services	Comments Reply	8/30/94 10/13/94
IAD File No. 94-101	Requests of Federal Agencies and Others for the Assignment of N11 Codes	Reply	9/23/94
CC Docket No. 80-286	Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board	Reply Comments Reply	12/2/94 9/12/95 11/9/95
CC Docket No. 92-237	Administration of the North American Numbering Plan	Nomination Application	8/7/95 9/12/95
CC Docket No. 95-115	Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public	Comments Reply	9/27/95 11/13/95

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 95-155	Toll Free Service Access Codes	Comments Reply	11/1/95 11/20/95
CCB-IAD 95-110	Telecommunications Access Provider Survey	Comments Reply	12/11/95 1/16/96
CC Docket No. 87-124	Access to Telecommunications Equipment and Services by Persons With Disabilities	Comments Reply	1/12/96 2/29/96
AAD 96-28	Rate of Return Inquiry	Comments Reply	3/11/96 4/15/96
CS Docket No. 96-46	Implementation of Section 302 of the Telecommunications Act of 1996	Comments Reply	4/1/96 4/11/96
CC Docket No. 96-45	Federal-State Joint Board on Universal Service	Comments Reply	4/12/96 5/7/96
CC Docket No. 96-61	Policy and Rules Concerning the Interstate, Interexchange Marketplace	Comments Reply	10/17/97 5/3/96
CC Docket No. 96-98	Implementation of the Local Competition Provisions in the Telecommunications Act of 1996	Comments Reply	5/16/96 6/3/96

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 96-112	Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services	Comments Reply	5/28/96 6/12/96
CC Docket No. 96-150	Accounting Safeguards Under the Telecommunications Act of 1996	Comments Reply	8/26/96 9/10/96
CC Docket No. 91-141 CCB-IAD File No. 98-102	Local Competition Survey	Comments Reply	6/8/98 6/22/98
CC Docket No. 98-81	1998 Biennial Regulatory Review - Review of Accounting and Cost Allocation Requirements	Reply	9/4/98
CC Docket No. 98-117	1998 Biennial Regulatory Review Review of ARMIS Reporting Requirements	Reply	9/4/98
CC Docket No. 98-166	Prescribing the Authorized Unitary Rate of Return for Interstate Services of Local Exchange Carriers	Comments	1/19/99 3/16/99
CC Docket No. 96-45 CC Docket No. 97-160	Federal-State Joint Board on Universal Service Forward-Looking Mechanism for High Cost Support for Non-Rural LECs	Comments Reply	7/23/99 8/6/99
CC Docket No. 98-147	Deployment of Wireline Services Offering Advanced Telecommunications Capability	Comments	9/24/99

<u>PROCEEDING</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>DATE</u>
CC Docket No. 98-137	1998 Biennial Regulatory Review - Review of Depreciation Requirements for Incumbent Local Exchange Carriers	Comments Reply	4/17/00 4/28/00
-----	Biennial Regulatory Review 2000	Comments Reply	10/10/00 10/20/00
CC Docket No. 00-199	2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3	Comments Reply Comments Reply Comments	12/21/00 1/30/01 2/13/01 3/14/01 7/16/01 7/26/01 4/8/02
File No. ASD-01-20	Application for Review of Responsible Accounting Officer Letter 31, Cost Allocation Manual Audit Requirements for Large Local Exchange Carriers	Comments Reply	3/28/01 4/9/01
CC Docket No. 99-301	Local Competition and Broadband Reporting	Reply	4/2/01
CC Docket No. 80-286	Jurisdictional Separations Reform and Referral to the Federal-State Joint Board	Comments Reply	7/20/01 8/6/01
CC Docket No. 01-337	Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services	Reply	4/22/02

WC Docket No. 92-80

Winstar Communications, LLC Emergency Petition
for Declaratory Ruling Regarding ILEC Obligations
to Continue Providing Service

Comments 4/29/02

Attachment 1
Page 8 of 8

02/27/03

RICHARD B. LEE

APPEARANCES BEFORE REGULATORY AGENCIES

<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
CA	US Department Of Defense	All LECs	1.87-11-033 Phase III	IntraLATA Competition	Direct Reply	9/23/91 10/2/91	10/7/91 10/7/91
CA	US Department Of Defense	All LECs	1.87-11-033 Phase III	Rate Design	Direct Reply Suppl.	12/16/91 1/17/92 4/18/92	4/28/92 4/28/92 4/28/92
CO	US Department Of Defense	All LECs	92R-050T	Interconnection	Direct	8/20/92	8/31/92
WV	Consumer Advocate Division of WV PSC	C&P	90-424-T-PC	Cost Allocation	Direct Reply	10/6/92 12/18/92	1/14/93 1/14/93
CA	US Department Of Defense	Pacific Bell	A.92-05-004	Incentive Regulation	Direct Reply	4/8/93 5/5/93	6/9/93 6/9/93
DC	US Department Of Defense	C&P	926	Productivity	Direct	7/30/93	10/7/93

Attachment 2
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<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASES</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
NJ	US Department Of Defense	All LECs	TX90050349 TE92111047 TE93060211	IntraLATA Competition	Direct Reply	4/5/94 4/25/94	--
CT	Connecticut Resellers	Cellular Carriers	94-03-27	Financial Performance	Direct	--	6/7/94
NY	US Executive Agencies	Niagara Mohawk	94-E-0098 94-E-0099 94-G-0100	Incentive Regulation	Direct	8/31/94	10/26/94
DC	DC Office Of People's Counsel	Pepco	939	Productivity	Direct	1/17/95	3/17/95
GA	GA Public Service Commission	Southern Bell	5503-U	Cost Allocation	Direct Reply	1/27/95 4/14/95	2/14/95 4/25/95
HI	US Department Of Defense	GTE Hawaiian	94-0298	Rate Case	Direct	5/7/96	--
CANADA	AT&T Canada	Stentor Companies	96-8	Depreciation	Direct	8/27/96	11/5/96

<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
NJ	AT&T	Bell Atlantic	T096070519	Depreciation	Direct	9/18/96	10/3/96
MA	AT&T	New England Telephone	DPUG96-80/81	Depreciation	Direct	10/11/96	--
NY	AT&T	New York Telephone	95-C-0657 94-C-0095 91-C-1174	Depreciation	Rebuttal	10/15/96	11/8/96
VA	AT&T	GTE	PUC960117	Depreciation	Direct	10/30/96	--
NJ	AT&T	All LECs	TX95120631	Depreciation	Direct Rebuttal	11/1/96 12/20/96	1/24/97 1/24/97
PA	AT&T/MCI	Bell Atlantic	A-310203F0002	Depreciation	Rebuttal Direct Surrebuttal	1/13/97 2/7/97 2/21/97	1/28/97 2/25/97 2/25/97
DE	AT&T/MCI	Bell Atlantic	96-324	Depreciation	Rebuttal	2/4/97	2/18/97
WY	AT&T	U S West	7200-TF-96-95 7000-TF-96-319	Depreciation	Direct	2/5/97	2/12/97

<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
WV	AT&T	Bell Atlantic	96-1516-T-PC 96-1561-T-PC 96-1009-T-PC 96-1533-T-T	Depreciation	Direct Rebuttal	2/13/97 2/20/97	2/27/97 2/27/97
MD	AT&T/MCI	Bell Atlantic	8731, Phase II	Depreciation	Direct	3/7/97	4/14/97
UT	AT&T/MCI	U S West	94-999-01	Depreciation	Direct Rebuttal Surrebuttal Sup. Surr.	3/19/97 3/31/97 4/23/97 5/2/97	5/13/97 5/13/97 5/13/97 5/13/97
DC	AT&T/MCI	Bell Atlantic	962	Depreciation	Direct Rebuttal	3/24/97 5/2/97	6/11/97 6/11/97
VA	AT&T/MCI	Bell Atlantic	970005	Depreciation	Affidavit Direct Rebuttal	4/7/97 4/23/97 6/10/97	6/27/97 6/27/97 6/27/97
HI	US Department Of Defense	GTE	7702	Depreciation	Direct Reply	7/03/97 8/28/97	10/22/97 10/22/97
LA	AT&T/MCI	Bell South	22022/22093	Depreciation	Direct	8/25/97	9/16/97

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<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
ME	AT&T	Bell Atlantic	96-781	Depreciation	Direct Surrebuttal	9/15/97 12/22/97	1/20/98 1/20/98
TENN	AT&T/MCI	Bell South	97-01262	Depreciation	Direct	10/10/97 10/17/97	2/25/98 2/25/98
VT	AT&T	Bell Atlantic	5713	Depreciation	Direct Surrebuttal	10/30/97 12/4/97	12/11/97 12/11/97
KY	AT&T/MCI	BellSouth, GTE, CBT	360	Depreciation	Reply	11/4/97	--
PA	AT&T	GTE	A-310125F002 GTEN-11	Depreciation	Direct	11/13/97	--
NC	AT&T/MCI	BellSouth, GTE, Sprint	P-100, SUB133b	Depreciation	Direct	12/10/97 1/30/98	--
NC	AT&T/MCI	BellSouth, GTE, Sprint	P-100, SUB133d	Depreciation	Direct	12/15/97 3/9/98	--
OHIO	AT&T/MCI	CBT	96-899-TP-ALT	Depreciation	Direct Reply	12/17/97 12/23/98	3/22/99 3/22/99
LA	AT&T/MCI	BellSouth	U-20883 Subdocket A	Depreciation	Direct Reply	1/9/98 1/20/98	--

<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
OK	AT&T	SBC	970000213 970000442	Depreciation	Direct	1/12/98	--
MISS	AT&T	BellSouth	97-AD-544	Depreciation	Direct Reply	1/28/98 3/13/98	--
MISS	AT&T	BellSouth	98-AD-035	Depreciation	Direct Reply	2/23/98 3/6/98	--
TENN	AT&T	BellSouth, GTE, Sprint	9700888	Depreciation	Direct Reply	3/18/98 3/25/98	--
RI	AT&T	Bell Atlantic	2681	Depreciation	Direct Surrebuttal	6/30/98 12/11/98	1/7/99
AZ	U S Department Of Defense	U S West	T-01051B- 97-0689	Depreciation	Direct Suppl Surrebuttal Comments Suppl Direct Reply	7/13/98 7/15/98 8/17/98 10/30/98 4/2/99 2/7/00 2/22/00	11/13/98 11/13/98 11/13/98 11/13/98 4/27/99 2/28/00 2/28/00

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<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
MICH	Michigan Cable Television Association	All	U-11016	Affiliate Transactions	Direct Reply	5/27/98 7/1/99	7/29/99 7/29/99
HI	U S Department of Defense	GTE	7702	Collocation and Nonrecurring Charges	Direct	6/2/00	--
NY	AT&T/WorldCom	Bell Atlantic	98-C-1357	Depreciation	Reply Rebuttal	6/26/00 10/19/00	-- --
AZ	US Department Of Defense	Qwest	T-01051B-99-0105	Revenue Requirements	Direct Surrebuttal Direct	7/25/00 9/8/00 11/13/00	12/1/00 12/1/00 12/1/00
MA	AT&T/WorldCom	Verizon	D.T.E. 01-20	Depreciation	Direct Rebuttal Surrebuttal	5/8/01 7/18/01 12/17/01	1/8/02
MD	AT&T/WorldCom	Verizon	8879	Depreciation	Direct Rebuttal Surrebuttal	5/25/01 9/5/01 10/15/01	--
VA	AT&T/WorldCom	Verizon	FCC 00-218 FCC 00-249 FCC 00-251	Depreciation	Direct Rebuttal Surrebuttal	7/31/01 8/27/01 9/21/01	10/23/01

<u>STATE</u>	<u>CLIENT</u>	<u>UTILITY</u>	<u>CASE</u>	<u>SUBJECT</u>	<u>TYPE</u>	<u>FILE DATE</u>	<u>CROSS DATE</u>
CA	US Department of Defense	Pacific Bell	A01-20-024	Depreciation	Direct Direct	9/19/01 10/18/02 2/7/03	
PA	AT&T/WorldCom	Verizon	R-00016683	Depreciation	Direct Rebuttal Surrebuttal	12/7/01 1/11/02 2/8/02	--

2/25/03

Experience

**Snively King Majoros O'Connor
& Lee, Inc.
Washington, DC**

***Vice President (1996 to Present)
Senior Consultant (1991 to 1995)***

Mr. Lee provides consulting services that reflect his depth of experience with regulated utilities. For over a quarter of a century, he has been extensively involved in regulatory financial and accounting matters.

Mr. Lee has provided expert witness testimony, technical assistance and strategic support to clients in state commission proceedings related to the telephone, cellular telephone and electric industries. His testimony has addressed such matters as competition, interconnection, incentive regulation, rate design, cost allocation, depreciation, productivity, and overall financial performance. Mr. Lee has also conducted a cost allocation and affiliate transaction audit of a major telephone company on behalf of its state commission.

Mr. Lee has assisted clients in proceedings before the Federal Communications Commission (FCC) related to competition, interconnection, universal service, incentive regulation, accounting, cost allocation, reporting, depreciation, and advanced services. Mr. Lee also performed a study on plant writedowns in the U.S. telecommunications industry on behalf of the Canadian Radio-Television and Telecommunications Commission.

AT&T, Basking Ridge, NJ

***Regulatory Vice President (1988-1990)
Division Manager (1980-1988)***

Mr. Lee represented AT&T before the FCC in all financial and accounting matters. In this capacity, he directed the preparation of all financially related AT&T filings and coordinated the analysis of commission and intervenor responses. In addition, he was responsible for the periodic review of AT&T financial operating results and the development of related capital and expense forecasts.

Mr. Lee directed the design and implementation of AT&T's automated system for the reporting of financial information to the FCC. He also was responsible for the implementation of AT&T's manual for the separation of regulated and unregulated costs and the conversion of the company to the revised Uniform System of Accounts.

His responsibilities included liaison with the FCC's audit staff and coordination of their activities with respect to AT&T. During his tenure, Mr. Lee brought scores of FCC investigations involving many billions of dollars to equitable conclusions.

Mr. Lee participated in the strategic development of price cap incentive regulation proposals and performed numerous related financial analyses. He also conceived and developed a methodology which reduced the administrative burden of AT&T's depreciation filings by over 90%.

Prior to divestiture, Mr. Lee coordinated all Bell System depreciation filings, rate of return pleadings and interstate rate cases. He was responsible for securing FCC approval of the accounting entries which implemented the Modified Final Judgment.

**New York Telephone Company
New York, NY**

***District Manager (1970-1980)
Accounting Manager (1963-1970)***

Mr. Lee held a variety of progressively responsible positions leading to his selection as the Company's accounting representative before the New York Public Service Commission. In this capacity, he participated in numerous general rate cases and related proceedings.

In an earlier assignment, Mr. Lee directed an inter-departmental study of the company's "Lost Telephone Set" problem. The study resulted in both operational improvements and major strategy changes by the company.

While in a rotational assignment to AT&T, Mr. Lee developed a cost accounting and productivity measurement system that was implemented in all Bell System Comptrollers Departments.

Mr. Lee also managed numerous line organizations of up to 200 persons responsible for billing and collection, property and cost and data processing functions.

Education

*Yale University, B.S. (High Honors)
Harvard Business School, MBA (Distinction)*

Professional Affiliations

Society of Depreciation Professionals

Recommended Regulatory Treatment of DEX Sale

(Dollars in Millions)

1.	Pre-tax Gain on Sale	---
2.	Arizona Share	---
3.	Arizona Regulatory Benefit (L1xL2)	---
4.	Bill Credit (L3x10%)	---
5.	Initial Regulatory Liability (L3-L4)	---
6.	Annual Amortization (L5/15)	---

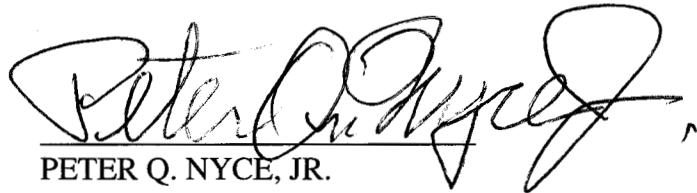
Source: Lines 1 and 2, Attachment A to Qwest Response to Staff Data Request No. 68.

PUBLIC VERSION

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing expurgated Rebuttal Testimony of Mr. Richard B. Lee on behalf of the United States Department of Defense and All Other Federal Executive Agencies was sent to the parties on the attached service list either by United Parcel Service - Next Day Air, or by first class mail, postage prepaid on February 28, 2003. Copies of the Confidential version of Mr. Lee's "Attachment 4" to his Rebuttal Testimony have been sent only to Parties who have executed the appropriate Protective Agreement.

Dated at Arlington County, Virginia, on this 28th Day of February 2003.


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